

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6519

BILL NUMBER: HB 1434

NOTE PREPARED: Feb 24, 2004

BILL AMENDED: Feb 19, 2004

SUBJECT: Microenterprise Development Program.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Server

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires the Indiana Economic Development Council to establish a Microenterprise Partnership Program to provide grants to community based or nonprofit organizations for the purpose of providing business development services and loans to businesses with fewer than five employees. The bill transfers responsibilities for the Enterprise Development Program and the Small and Minority Business Financial Assistance Program to the Indiana Economic Development Council. The bill also renames the enterprise development fund as the microenterprise partnership program fund.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill renames the existing Enterprise Development Fund as the Microenterprise Partnership Program Fund and transfers the administrative responsibility for the Fund from the Indiana Small Business Development Corporation (SBDC) to the Indiana Economic Development Council (IEDC). The bill also transfers the administration of existing loan and loan guarantee programs (including the Nontraditional Entrepreneur Program and the Small and Minority Business Financial Assistance Program) from the SBDC to the IEDC. In addition, the bill requires the IEDC to establish the Microenterprise Partnership Program beginning July 1, 2004. Under the Program, the IEDC would make grants of up to \$25,000 to community-based or nonprofit organizations that provide loans and certain services to "microenterprises. The bill defines a microenterprise as a business that has fewer than 5 employees. The bill provides that one of the purposes of the Microenterprise Partnership Program Fund (the Enterprise Development Fund under current statute) is to carry out the Microenterprise Partnership Program.

While additional staffing could potentially be required to manage the Microenterprise Partnership Program, the cost of any additional staffing would be paid from money in the Microenterprise Partnership Program Fund. The IEDC is temporarily administering the loan and loan guarantee programs of the SBDC and the

Indiana Development Finance Authority is assisting in servicing loans.

Background: The Microenterprise Partnership Program is required to provide grants to “microloan delivery organizations - community-based or nonprofit programs that: (1) have developed a viable plan for providing training, access to financing, and technical assistance to microenterprises; and (2) that meet other criteria and qualifications specified in the bill for grant recipients. Under the bill, grants may be used by microloan delivery organizations to: (1) to satisfy matching requirements for federal or private grants; (2) to establish a revolving loan fund to make loans to microenterprises; (3) to establish a guaranty fund to guarantee loans made by a commercial lender to a microenterprise; and (4) to pay operating costs associated with administering a loan, loan guaranty, or revolving loan program, or providing business training and technical assistance to loan recipients. However, the bill prohibits more than 10% of a grant from being used for operating costs. In addition, the bill requires at least 50% of the loan money disbursed by the microloan delivery organization to be in loans not exceeding \$10,000.

Under current statute, the Enterprise Development Fund (to be renamed the Microenterprise Partnership Program Fund under the bill) is required to be administered by the SBDC. However, due to staffing insufficiencies the IEDC is temporarily administering the Fund, and the loan and loan guarantee programs of the SBDC. These responsibilities would be transferred permanently to the IEDC. Under current statute, the Enterprise Development Fund is a revolving fund for the purpose of providing loans approved by the SBDC; of providing loans and loan guarantees under the Small and Minority Business Financial Assistance Program; and paying the costs of administering these programs. According to the IEDC, the balance in the Fund as of January 31, 2004 totaled \$1,186,525. This balance is expected to increase as several loan repayments are to be deposited in the Fund before the end of the current month. However, according to the IEDC, \$1.0 M of the current balance could potentially be utilized for loans under existing programs. Thus, on the most recent balance, about \$187,000 could potentially be available for grants to microenterprise delivery organizations. (The Enterprise Development Fund balance will be updated as new information becomes available.)

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Small Business Development Corporation; Indiana Economic Development Council.

Local Agencies Affected:

Information Sources: M. Jacqueline Nytes, President, Indiana Economic Development Council, (317) 234-2114.

Fiscal Analyst: Jim Landers, 317-232-9869.